

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA NIACT IMMEDIATE

INFO AMEMBASSY SANTIAGO IMMEDIATE

S E C R E T STATE 098463

EXDIS TOSEC 251

C O R R E C T E D COPY (LINE OMITTED IN PARA 5)

E. O. 11652: XGDS3, DECLAS DEC. 31, 1979

TAGS: PFOR: CI

SUBJECT: POSSIBLE ALLENDE BILATERAL

REF: (A) RIO 1753; (B) STATE 95646

1. QUOTE NEXT STEPS UNQUOTE SCENARIO APPROVED BY SECRETARY PRIOR TO DEPARTURE CONSTITUTES BASIC BACKGROUND DOCUMENT FOR POSSIBLE BILATERAL. SECRETARY'S PARTY HAS COPIES. TREASURY CONCURS WITH GENERAL APPROACH OF QUOTE NEXT STEPS UNQUOTE SCENARIO BUT HAS SOME PROBLEMS WITH ANCILLARY QUESTIONS WHICH WE ARE WORKING OUT. SECRETARY SHULTZ, HOWEVER, WANTS PROPOSAL TO BE SUBMITTED TO PRESIDENT FOR APPROVAL.

2. REPORTING CABLE ON AMBASSADOR AND FOREIGN MINISTER DESIGNATE LETELIER' S MAY 17 FAREWELL CALL ON ACTING ASSIST. SEC. CRIMMINS AND TREASURY ASSIST. SEC. HENNESSY (REFTEL B)

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REPRESENTS ADDITIONAL BACKGROUND (COPY REPEATED TO RIO).
IN THAT CONVERSATION, LETELIER WAS TOLD INTER ALIA THAT:
WE WISH TO HAVE FURTHER TALKS WITH THE GOC ON COMPENSATION,

WE ARE STILL GIVING HIGH LEVEL STUDY TO OUR OPTIONS, AND
WE EXPECT TO BE READY WITH A SUBSTANTIVE POSITION SHORTLY
AFTER THE FIRST OF JUNE AND HOPE TO MEET WITH THE CHILE-
ANS ABOUT THEN.

3. SINCE IT IS NOT ADVISABLE, FOR REASONS STATED IN PARA
ONE, FOR YOU TO GO TO HEART OF MATTER WITH ALLENDE, I. E.
PROPOSED BINDING ARBITRATION, WE RECOMMEND FOLLOWING TALK-
ING POINTS WHICH SUPERSEDE THE MAY 11 PAPER PREPARED FOR
THE SAME PURPOSE:

TALKING POINTS:

- YOU MAY WISH TO BEGIN BY INDICATING THAT YOU WILL BE
FOLLOWING SUBSEQUENT DISCUSSIONS OF THIS PROBLEM PERSONAL-
LY AND THAT OUR REPRESENTATIVES WILL BE INSTRUCTED TO
MAKE EVERY POSSIBLE EFFORT TO WORK OUT A SOLUTION. YOU
MIGHT THEN CALL ON ALLENDE TO MATCH THAT COMMITMENT,
NOTING THE IMPORTANCE OF SEEKING A REAL RATHER THAN AN
ILLUSORY SOLUTION. YOU CAN THEN NOTE THAT:
- WE HAVE SERIOUSLY AND CAREFULLY EXAMINED AT THE
CABINET LEVEL OF OUR GOVERNMENT THE CHILEAN PROPOSAL MADE
AT THE MARCH 22-23 TALKSA
- WE EXPECT TO COMPLETE OUR PREPARATIONS FOR A
RESPONSE AROUND THE FIRST OF JUNE AND HOPE TO MEET WITH
THE CHILEANS SHORTLY THEREAFTER;
- WE BELIEVE THE TALKS SHOULD BE CONFIDENTIAL AND
CARRIED OUT BY ONLY TWO OR THREE HIGH LEVEL REPRESENTA-
TIVES ON EACH SIDE WHO WILL HAVE THE FULLEST FLEXIBILITY
AND AUTHORITY TO EXPLORE ALL POSSIBILITIES FOR A SOLUTION;
- WE HAVE CONSIDERED THE FULL RANGE OF ALTERNATIVES
WHICH MIGHT LEAD TO A POSSIBLE SOLUTION OF OUR DIFFERENCES
AND WE HOPE THE GOC WILL BE EQUALLY FLEXIBLE IN DEMON-
STRATING ITS GOOD WILL TOWARD SEEKING SOLUTIONS.

4. CERRO SETTLEMENT: WE BELIEVE IT WOULD BE BENEFICIAL
FOR YOU TO MENTION TO ALLENDE THE POSITIVE EFFECT
WHICH A RAPID AND FAVORABLE CONCLUSION TO THE CERRO
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NEGOTIATIONS COULD HAVE. BEGIN FYI. YOU WILL RECALL
THAT A SETTLEMENT INVOLVING ABOUT DOLS 61 MILLION IS IN-
VOLVED FOR THE CERRO CORPORATION' S COPPER MINING PROPER-
TY WHICH WAS EXPROPRIATED IN 1971. END FYI.

5. ITT: BEGIN FYI. WHILE WE HAVE MISGIVINGS ABOUT THE
UTILITY OF RAISING THE ITT EXPROPRIATION ISSUE WITH

ALLENDE, WE BELIEVE ON BALANCE THAT OUR OBLIGATION TO
MAINTAIN THE COMPENSATION PRINCIPLE WARRANTS A BRIEF
REFERENCE TO THIS LOOMING PROBLEM. ALLENDE HIMSELF MAY
RAISE THIS ISSUE CITING QUOTE POPULAR PRESSURES UNQUOTE
IN CHILE TO EXPROPRIATE THE REMAINING ITT PROPERTIES
(PRINCIPALLY TWO HOTELS, TOTAL VALUE ABOUT DOLS 8 MILLION).
END FYI. IF THIS ISSUE IS DISCUSSED, YOU COULD NOTE
THAT THE DRAFT LEGISLATION TO EXPROPRIATE ITT' S TELEPHONE
HOLDINGS (WHICH HAVE BEEN INTERVENED BY THE GOC SINCE OCT.
1, 1971) IS STILL PENDING IN THE CHILEAN CONGRESS, AND
EXPRESS THE HOPE THAT THE GOC' S ACTIONS ON THE ITT
QUESTION WILL NOT ADD TO THE ALL TOO DIFFICULT IMMEDIATE
TASK OF SEEKING A SOLUTION TO OUR COPPER DIFFERENCES.
YOU MIGHT ALSO STATE THAT WE HOPE ALLENDE WILL NOT LOCK
HIMSELF IN AND FORECLOSE OPTIONS ON ITT AS HE APPARENTLY
HAS DONE ON COPPER BY THE RIGIDITY OF THE TERMS OF THE
PROPOSED CONSTITUTIONAL AMENDMENT. IF THE OPPORTUNITY
ARISES YOU MIGHT CONCLUDE BY OBSERVING THAT WE CAN
MAKE NO DISTINCTION IN PRINCIPLE ON EXPROPRIATION
DISPUTES WHERE INADEQUATE OR NO COMPENSATION HAS BEEN
PAID. RUSH

UNQUOTE RUSH

NOTE BY OC/ T: EXDIS ADDED PER MR. NEWLIN 5/22/73.

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